

AR60



ROOM



1 26 Business Building
Edmonton, Alberta T6G 2E6

BMD/97/AR

Some Things Remain the Same...

Our vision remains focused on exploring for large tonnage, high value deposits.

Our efforts continue toward taking the sediment-hosted Prairie Gold model to the drilling stage in Alberta and Manitoba.

Drilling success at Swift River has advanced the project to the stage where we expect to attract a joint venture partner.

Building on a successful co-development agreement with Syncrude, we signed similar agreements with Shell/BHP and Suncor.

Some Things Change...

The discovery of diamondiferous kimberlites in the Buffalo Head Hills of Alberta prompted us to evaluate our Alberta lands for diamonds.

We successfully concluded our first joint venture. In early 1998, Lytton Minerals Limited and New Indigo Resources Inc. joined Birch Mountain to explore for diamonds on our Alberta properties.

In Indonesia, we reduced our land holdings, and are now focused on epithermal gold prospects near Kantuk Asam.

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A Word to our Shareholders

The past year was very productive for Birch Mountain. The directors, conscious of an obligation to shareholders to enhance the value of our key projects, provided management with the assignment to advance these prospects to the stage where strategic decisions could be made regarding their viability. The goal for each project was to assess its potential, and implement a cost-effective exploration program to enhance the prospect in order to bring in a joint venture partner on attractive terms.

In order to achieve these goals:

- a high-resolution airborne magnetic survey was flown in Athabasca
- co-development agreements were initiated with oil sands producers
- an exploration and diamond drill program was completed at Swift River in the Yukon
- a stream sediment, soil geochemistry, and rock float program was conducted in Indonesia
- a reconnaissance exploration program was undertaken in Manitoba
- a joint venture partner was sought for diamond exploration in Alberta

Our achievements this year were highlighted by:

- a drill intersection in Athabasca, which reported 2.2–4.9 grams/tonne of platinum over a 1.6-meter interval of limestone
- integrating a large data set of geological, geophysical, core, and electric log information, to better define mineralized trends, and to pick drill locations
- signing a co-development agreement with Syncrude Canada Ltd., to facilitate the exchange of geological and technical information
- acquiring and drilling a prospect at Swift River in the Yukon, and demonstrating that the project has a style of mineralization, size, thickness, and grade to develop into a major discovery
- completing the general survey phase of exploration in Indonesia, and relinquishing lands considered to be less prospective, enabling us to focus on three promising epithermal gold targets
- conducting a regional exploration program in Manitoba which confirmed that the Prairie Gold Model is applicable to this area
- signing a joint venture agreement with Lytton Minerals Limited and New Indigo Resources Inc. to explore for diamonds on our lands in Alberta

Birch Mountain's strategic plan is to position the company with a mix of high quality prospects in precious and base metals. This maximizes our ability to capitalize on changing market conditions while continuing to build shareholder value. Consistent with this strategy, we have four key prospects: Prairie Gold, Swift River, Co-development, and Indonesia. We are pleased with the advancements in each area. We believe that most projects will soon reach a stage where we will form a strategic alliance with a partner with the technical and financial resources to develop the projects.

Although our portfolio of prospects reflects a mix of target commodities, our principal focus continues to be on sediment-hosted Prairie Gold precious metal deposits in Alberta and Manitoba. The allocation of expenses reflects this priority, as, since inception, approximately 60% of expenditures has been related to Prairie Gold. In 1997 alone, we filed assessment work with Alberta Energy on Athabasca in excess of \$12 million, which will hold all our Athabasca properties through February 2000.

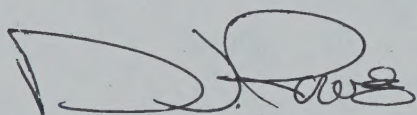
For 1998, the Directors believe that junior mining companies will have difficulty financing new issues in the market, and have approved an operating budget which conserves capital. We are actively pursuing financing opportunities, and alliances with mining companies, which will minimize our exploration expenditures. As well, our overhead costs were significantly reduced upon completion of the field exploration and drilling program.

We are continuing to advance our projects to the drilling stage and will predicate future exploration work on the availability of funding. Both the Athabasca precious metal prospect and the Swift River prospect are close to the drilling stage, and early drilling of these properties is a high priority.

With the discovery of a new diamondiferous kimberlite field by Ashton Mining of Canada, the Alberta diamond play is viewed by many industry analysts as a very significant exploration opportunity. We became interested in developing the diamond potential in our Athabasca lands after examining the data from our high-resolution airborne magnetic survey, which was conducted over a portion of our block. Through our joint venture with Lytton Minerals Limited and New Indigo Resources Inc. (*Lytton JV*), an exploration program has been undertaken to evaluate the diamond potential of these lands. Recently, we acquired an additional 313,000 hectares of land adjacent to the Athabasca property, and negotiated an arrangement with Lytton JV to incorporate these lands into the joint venture. This arrangement with Lytton JV provides us with additional operating funds, and an opportunity to participate in the large upside potential a diamond discovery would afford, without distracting us from our primary objective of Prairie Gold.

The management team has been strengthened with the appointment of Dr. Hugh Abercrombie to the position of Manager, Exploration. Hugh has 20 years of experience in geology, geochemistry, and mineral exploration, and has already made a valuable contribution to the company.

I am grateful for the support of all our shareholders and my colleagues in the accomplishments of the past year.

A handwritten signature in black ink, appearing to read 'D. Rowe', with a stylized flourish at the end.

*Douglas J. Rowe, P.Eng.
President & CEO
April 30, 1998*

Exploration 1997

Athabasca—Prairie Gold

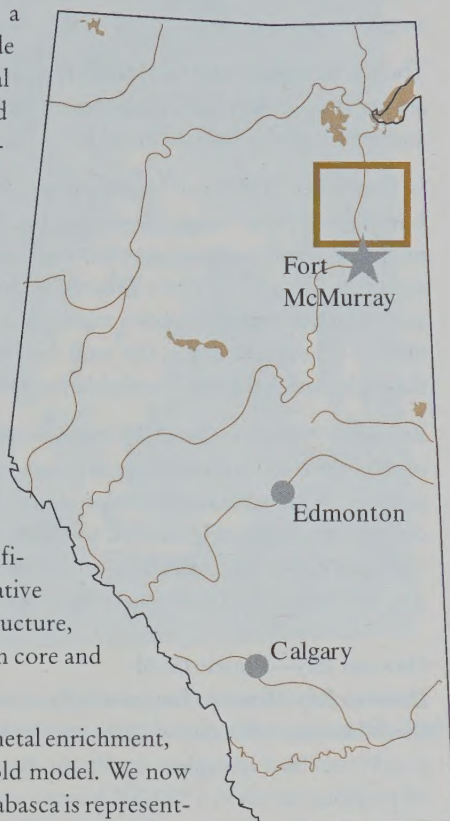
On April 3, 1997, based on information provided by Syncrude Canada Ltd., Birch Mountain announced significant gold and platinum grades in altered shaly limestone on its Athabasca property. Three different conventional fire assays of a 1.60 metre interval of altered limestone from Syncrude's drill core 11-7-AE-9610 gave values of 2.21 to 4.94 grams/tonne platinum and 0.19 to 0.21 grams/tonne gold.

Following closely on these encouraging results, a co-development agreement was signed with Syncrude Canada Ltd. to facilitate the exchange of geological and technical information including drill core and logs, electric drill hole logs, seismic information, airborne magnetic surveys, regional geological compilations, and geochemical analyses and assays. By examining over 275 electric logs and sampling over 150 drill cores from Syncrude Canada Ltd.'s Aurora Mine development, Birch Mountain's geologists have greatly advanced our Athabasca Prairie Gold project, placing the sediment-hosted platinum-gold anomaly in a solid geological context.

Summer 1997 field work included regional rock and soil sampling, and an extensive high resolution airborne magnetic survey. The results from the airborne magnetic survey were particularly beneficial, showing the location of major faults, their relative ages and their spatial relations to features such as structure, alteration and precious metal enrichment detected in core and outcrop.

Our geologists have identified anomalous precious metal enrichment, alteration and structures essential to the Prairie Gold model. We now consider that the gold and platinum observed in Athabasca is representative of a low temperature end-member of sediment-hosted precious metal deposits such as the Carlin gold mine in Nevada.

Birch Mountain's Athabasca Prairie Gold project has been further advanced by our recently signed cooperation agreement with Shell Canada, BHP Diamonds, and Suncor Energy Inc. These agreements are similar to our agreement with Syncrude Canada Ltd., which has been of tremendous benefit for both parties; we look forward to similar exciting developments from these new agreements.



Summary—Athabasca Work Program, 1997

Land holdings	775,000	hectares
Drill cores examined	153	cores, totalling 3,536 metres
Drill core rock samples	1,025	samples
Electric logs examined	277	
Surface rock samples	305	
Soil samples	347	
Airborne magnetic survey	23,000	line kilometres
Cost	\$1,200,000	

Athabasca—Diamonds

The announcement of the discovery of diamondiferous kimberlites in north-central Alberta in early 1997 by Ashton Mining of Canada Inc. led us to recognize the potential for diamond-bearing kimberlites within our Athabasca, Caribou Mountains and Birch Mountain properties. The Athabasca property lies on the eastern extension of the Peace River Arch and overlies Archean to Early Proterozoic age basement rocks, both of which are thought to be key geological elements for Ashton's discovery. Furthermore, two diamond indicator mineral trends were delineated in the region of our Athabasca property by the Alberta Geological Survey. A review of Birch Mountain's 1997 high resolution airborne magnetic survey identified potential kimberlite targets in Athabasca.

The Caribou Mountains and Birch Mountain properties also have good diamond potential. Both are partly underlain by Archean basement rocks of the Buffalo Head craton which extends south and west into the Buffalo Head Hills, the site of Ashton's diamond discovery.

In December 1997, Birch Mountain entered into a joint venture agreement with Lytton Minerals Limited and New Indigo Resources Inc. (*Lytton JV*) to explore for diamonds in Alberta. The joint venture agreement provides for Lytton JV to earn up to a 60% interest in the diamond rights on Birch Mountain's Alberta properties by making a \$390,000 payment to Birch Mountain, which payment has been made, to acquire certain exploration data, and by spending \$4.5 million on exploration in the next four years. Lytton JV has the option to carry the project through completion of a bankable feasibility study for an additional 15% interest.

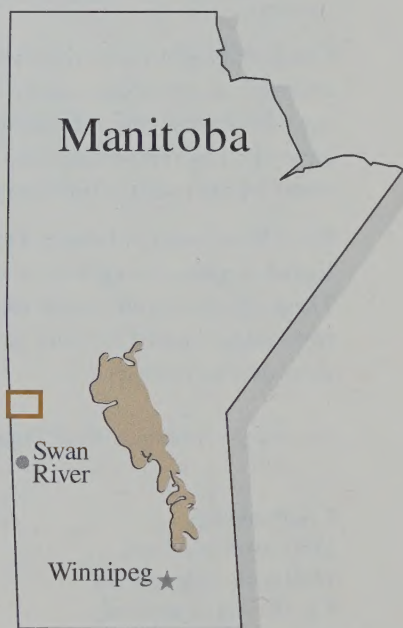
By early 1998 several hundred magnetic anomalies had been identified by detailed examination of the high resolution aeromagnetic survey data. A technical review of the data identified many potential kimberlite targets. A program of field geophysical verification followed by diamond drilling, operated by Lytton JV, was undertaken in first quarter 1998. The initial targets drilled were not kimberlitic intrusives, prompting a review of exploration results and selection of additional targets for follow-up in Summer 1998.

Dawson Bay—Prairie Gold

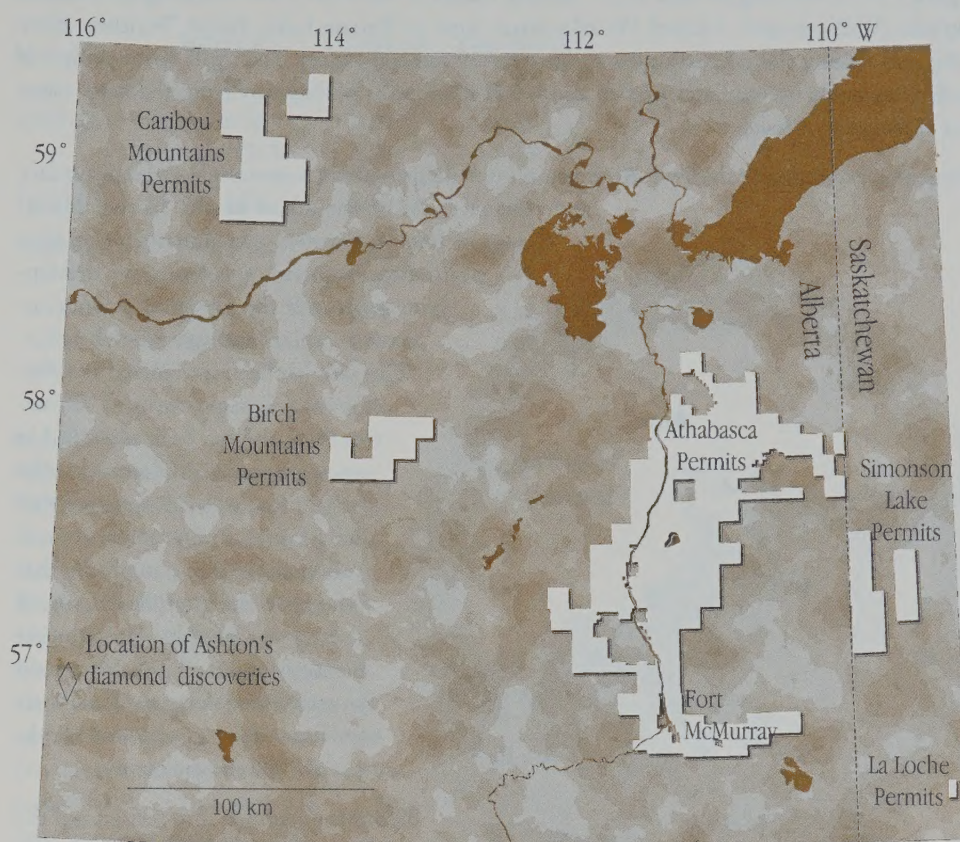
Dawson Bay Minerals Inc., a wholly owned subsidiary of Birch Mountain Resources Ltd., acquired Special Exploration Permit 96-1 to explore for Prairie-type sediment-hosted precious metals in a 530,000 hectare area in the Dawson Bay region of west-central Manitoba. The exploration program was undertaken jointly with Manitoba Energy and Mines, Geological Services Branch.

Exploration in 1997 included surface lineament analysis, reconnaissance scale mapping, prospecting, soil and brine sediment sampling, limited electromagnetic survey, and logging, sampling and analysis of archived core and core from 14 stratigraphic test holes drilled in 1997. A short follow-up geochemical survey was done in the fall to test two anomalous areas identified from the Summer's work. A number of samples with anomalous gold and platinum assays were identified, confirming that the Prairie Gold model is applicable to this area.

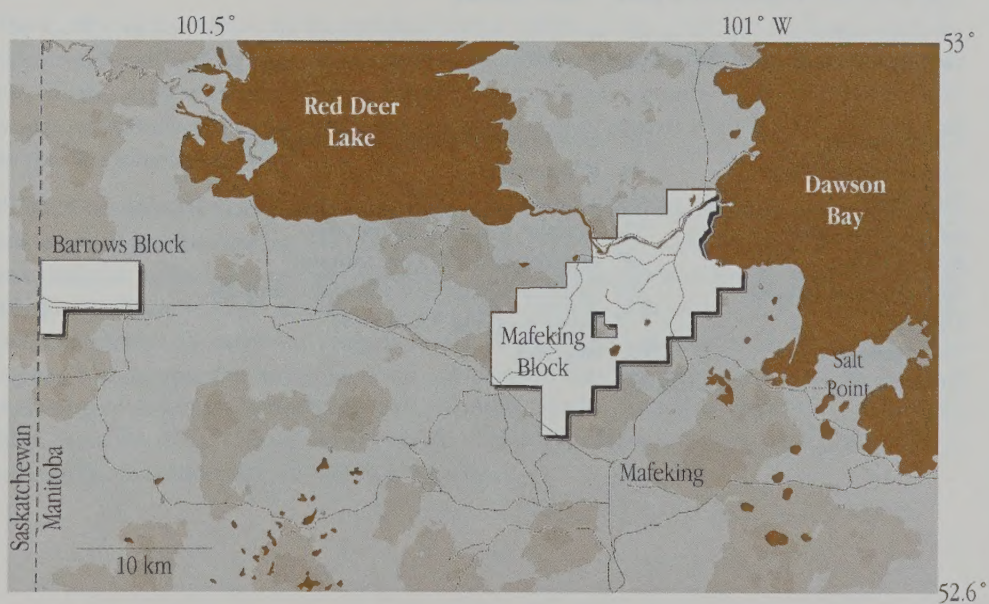
Based on the 1997 exploration results, Dawson Bay Minerals Inc. has reduced its land position to two blocks totalling 15,073 hectares.



Birch Mountain is using data made available through cooperative agreements with major oil sands companies to identify significant mineralization, alteration and structure associated with newly discovered sediment-hosted gold and platinum mineralization announced in 1997.



In 1997, we identified an exploration play for diamondiferous kimberlites on our northeast Alberta properties, and were successful in attracting joint venture partners to explore for diamonds on the lands.



In 1997, we confirmed the validity of applying the Prairie Gold model to Dawson Bay, and identified major structures controlling vertical fluid flow and mineralizing processes in the region.

Swift River

In Spring 1997, we announced an option agreement with First Yukon Silver Resources Inc. to acquire a 100% working interest in 500 mineral claims in the Swift River volcanogenic massive sulphide (VMS) project, located 130 kilometres west of Watson Lake, Yukon Territory. After additional staking the property now comprises 839 mineral claims. The Swift River project is readily accessible by road and airstrip and is 350 kilometres by highway from the deep water port at Skagway, Alaska.

The geological setting of the Swift River project is in deformed and metamorphosed sedimentary and volcanic rocks of the Yukon-Tanana Terrane. Showings of finely laminated, disseminated to massive pyrrhotite, magnetite, sphalerite and chalcocopyrite occur near the top and bottom contacts of a silica- and sericite-rich schist.

This unit has been recognized as a rhyolitic volcanic sequence up to 700 metres thick and has been identified in outcrops over a 25 kilometre strike length. Recent work suggests that the mineralization represents volcanogenic massive sulphides that have been metamorphosed, folded and overprinted by late contact metamorphism. Birch Mountain has established that the region hosts significant zinc grades and thicknesses of VMS mineralization.

Birch Mountain has also recognized the potential for discovery of a large tonnage sedimentary massive sulphide deposit at Swift River. Float samples from a relatively unexplored sequence of black argillite and siltstone which underlies the volcanic sequence are enriched in lead, zinc and silver. Follow-up work will focus on geochemical surveying and prospecting to identify the anomalous, metal-enriched horizons within the sedimentary sequence. In short, Birch Mountain has advanced exploration at Swift River to the point where it is now attractive to a joint venture partner.

Summary—Swift River Work Program, 1997

Claim staking	339	new claims covering 6,800 hectares
Ground geophysics	44	kilometres
Trenching	270	metres
Channel samples	76	samples totalling 53 metres
Rock samples	67	outcrop and 191 core samples
Geochemical samples	24	soil and 136 stream sediment samples
Drilling	9	holes totalling 956 metres
Prospecting	8,500	hectares
Cost	\$1,100,000	

DRILLING

Hole no.	Interval (m)	Thickness (m)	Zinc Grade (%)
SR97-06	93.85–95.05	1.20	14.57
	105.69–107.57	1.88	6.55
SR97-07	14.40–15.50	1.10	3.52
SR97-08	41.20–42.40	1.20	4.35
	46.90–51.75	4.85	4.67
	54.00–56.75	2.75	3.30
	64.45–65.30	0.88	6.29

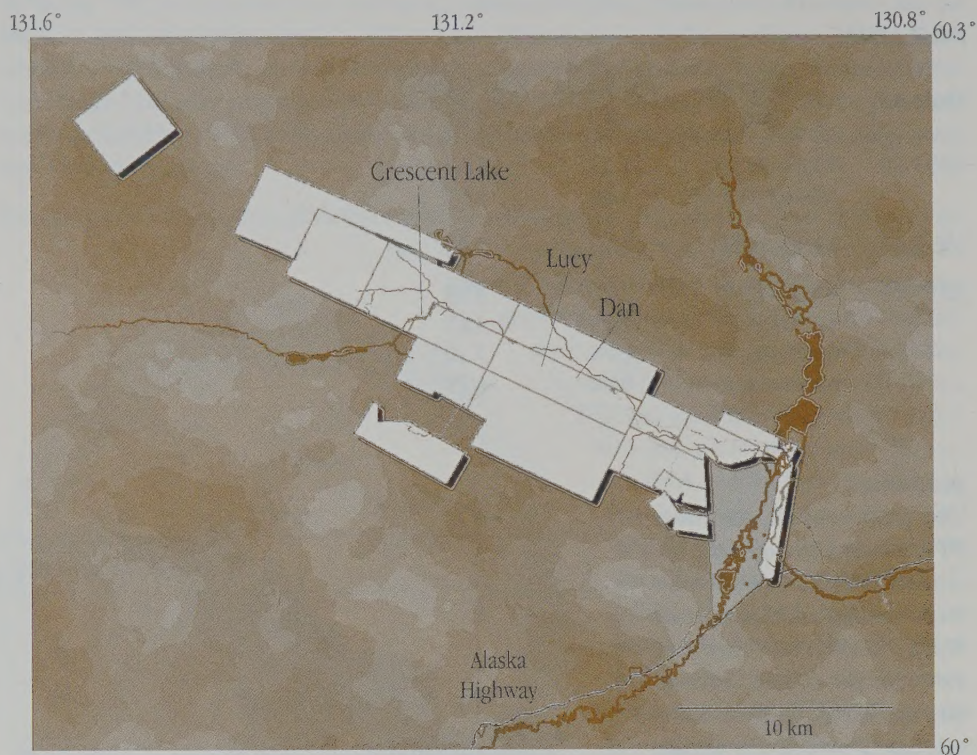
Indonesia

Our joint venture company, PT Danfort Development Indonesia (*PT DDI*), received a Sixth Generation Contract of Work (*CoW*) on April 28, 1997, for the 609,000 hectare Sintang block in West Kalimantan. Through our wholly owned subsidiary, Rockyview Development Limited, we control 90% of the joint venture. The remaining 10% interest is held by our Indonesian partner PT Ciptacitra Adicemerlang. Indochina Goldfields Ltd. has an option to earn a 51% working interest in the *CoW* by repaying 200% of the exploration costs expended to the date of exercise and financing a bankable feasibility study.

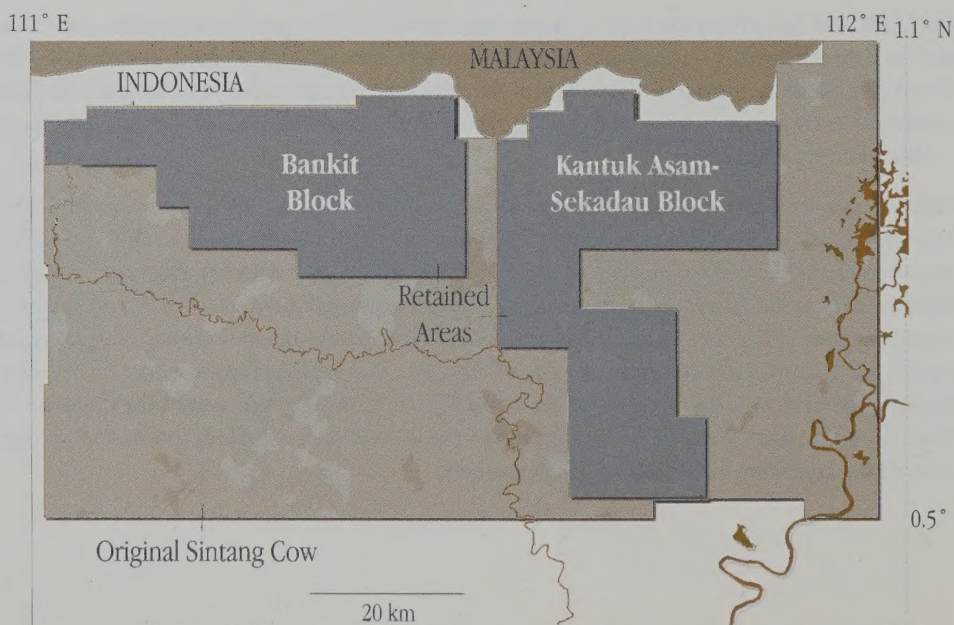


The *CoW* area lies within the Central Kalimantan gold belt. The geology comprises Late Cretaceous through Tertiary age volcanic and sedimentary rocks which have been intruded by a series of late, shallow intrusive micro-diorite to micro-granite porphyry stocks and sills. The sandstone-hosted epithermal gold targets are thought to be related to fluid circulation induced by this late intrusive activity.

PT DDI retained PT Geotekindo Sabang Merauke to complete the 1997 exploration program. On review of previous exploration results, a 50 square kilometre area in the Kantuk Asam region was judged to be the highest priority prospect. In 1997, three epithermal gold targets were identified in the Kantuk Asam prospect area by detailed stream sediment, rock float and soil geochemical surveys. Geochemical analysis of rock float indicated anomalous levels of gold, silver, copper, lead, arsenic and antimony, a suite of elements that is commonly associated with epithermal gold systems. On the basis of these results, the Company has moved the Contract of Work from the initial General Survey Period to the second phase Exploration Period and has reduced the area from 609,000 to 208,125 hectares.



During 1997, we advanced the Swift River project to a level that is attractive to potential joint venture partners, by demonstrating that the property hosts significant grades and thicknesses of VMS mineralization.



Geochemical surveys have defined three epithermal gold targets in the Kantuk Asam region in the northeastern corner of our Sintang block. We have dropped less prospective lands, and seek partners to assist with our exploration of the Kantuk Asam targets.

Management's Discussion & Analysis

Capital Programs

The Company spent a total of \$3.9 million on exploration in 1997:

Project	\$ Million
Athabasca	1.2
Co-development	0.1
Dawson Bay	0.3
Swift River	1.1
Indonesia	1.2
	3.9

General & Administrative Expenses

In 1997, cash expenses for general and administrative were \$1,083,000, compared with \$1,102,000 in 1996. Projected levels for 1998 are significantly reduced, reflecting our lower level of forecasted activity.

Liquidity

At December 31, 1997, our working capital was \$738,000. Early in 1998, we completed a private placement and a joint venture arrangement on our Alberta lands, and received certain refunds of deposits, to add approximately \$700,000 to our working capital. We believe that junior mining companies will have difficulty financing new issues in the current market. As a result, we have reduced our exploration expenditures and general and administrative costs, to preserve our working capital.

Property Writedown

Following an evaluation of our exploration properties, we determined that writedowns of the carrying values of certain assets were required. A \$2,996,903 charge was recorded, which related to the following:

Indonesia	\$2,184,418
British Columbia	\$408,913
Dawson Bay	\$216,679
Athabasca	\$186,893

Option to Mr. Robert Friedland

On May 9, 1996, Birch Mountain entered into an agreement with Robert Friedland, CIS Corporate Ventures Limited and Nepal Investments Limited, whereby they received an option to purchase shares and share purchase warrants from certain of the founding shareholders of Birch Mountain. On January 28, 1997, pursuant to the agreement with Mr. Friedland, Nepal Investments Limited and CIS Corporate Ventures Limited acquired 11% of the common shares of Birch Mountain by exercising warrants to purchase 2.5 million common shares.

Under the same agreement, Mr. Friedland was granted an option to acquire an additional 4.5 million common shares on or before October 12, 1997. This option to acquire common shares expired unexercised.

Financing

During the year, founders of the Company exercised common share purchase warrants for 23,127 common shares at \$0.30 per share. Employees and consultants exercised an aggregate of 62,000 stock options, pursuant to Birch Mountain's stock option plan.

Fort McKay Property Agreement

Birch Mountain and Tintina Mines Limited agreed to amend the Fort McKay Property Agreement to provide Birch Mountain with an additional year to continue its evaluation of the property (2,300 hectares) on the Athabasca River north of Fort McMurray. The expiry date on the option was amended to September 18, 1998. Birch Mountain was granted an option to acquire an undivided 51% interest in the property for a revised exercise price of \$1.2 million. Birch Mountain holds 500,000 common shares of Tintina, which were acquired through a private placement pursuant to the Fort McKay Property Agreement.

Co-development Agreement

Syncrude Canada Ltd. and Birch Mountain signed a co-development agreement which provides for co-operative regulatory, exploration, development, and production activities on Syncrude's Aurora lands in northeastern Alberta. Syncrude holds the oil sands rights to the Aurora Project lands on which Birch Mountain holds the metallic and industrial mineral rights. This agreement formalizes the working relationship between Birch Mountain and Syncrude, to facilitate development of the resource potential in the Athabasca region.

Swift River Prospect

Birch Mountain entered into an agreement to acquire claims covering 12,000 hectares in the Swift River prospect in the southern Yukon. Under the agreement with First Yukon Silver Resources Inc., Birch Mountain can acquire a 100% interest in the property in exchange for annual option payments and a work commitment. With the encouraging results from our field exploration and diamond drilling, we increased our land holdings to 839 claims from the initial 500 claims, increasing the land position to 17,980 hectares.

Dawson Bay Prospect

The Manitoba government issued a Special Exploration Permit to Birch Mountain for 530,000 hectares in the Dawson Bay area of western Manitoba. During the summer, Birch Mountain and the Manitoba Geological Services Branch conducted a cooperative regional exploration program on the prospect. Based on compilation and interpretation of the exploration data, we selected the areas of greatest interest and reduced our land holdings to 15,073 hectares.

West Kalimantan, Republic of Indonesia

The government of Indonesia issued a Sixth Generation Contract of Work dated April 28, 1997, for mineral exploration on more than 600,000 hectares in West Kalimantan, Indonesia. Birch Mountain, through Rockyview Development Limited, controls a 90% interest in PT Danfort Development Indonesia, which holds the Contract of Work. Indochina Goldfields Ltd. retains an option to acquire up to 51% of Birch Mountain's interest in the Contract of Work, by payment of twice the total expenditures on the property plus 100% of the costs through completion of a feasibility study.

Eagle Property / Agau Resources Inc.

On April 10, 1997, Birch Mountain entered into an agreement under which Birch Mountain acquired an interest in certain Alberta and Saskatchewan properties in exchange for our option on the 6 mineral claims comprising the Eagle property in British Columbia. We acquired a 51% interest in 2,965 hectares in northwestern Saskatchewan, and a 100% interest in 82,944 hectares in northwestern Alberta.

Safety, Health, and Environmental Management

Birch Mountain has implemented a formal policy with respect to the safety, health, and environmental aspects of our business activities. Recognizing the safety, health, and environmental risks inherent to our business, it is our goal to:

- identify, evaluate, and manage the safety, health, and environmental risks associated with our activities and operations

- conduct our activities and operations in compliance with environmental, occupational health, and safety legislation, and meet or surpass recognized industry standards

- establish appropriate emergency response procedures, and test these procedures on a regular basis

- ensure that all employees are provided with the resources and training required to meet these commitments

- define the safety, health, and environmental standards for contractors, consultants, and agents, and ensure they understand that they are accountable for their performance

Year 2000 Computer Compliance

Birch Mountain's information technology infrastructure is based exclusively on Apple Macintosh and 32-bit Microsoft Windows operating system platforms. These platforms are certified by their respective vendors to be 2000 compliant. We do not intend to introduce any additional operating system platforms prior to the year 2000.

Birch Mountain has engaged the services of information technology consultants to assess the Company's application software for 2000 compliance. The consultants are expected to deliver the results of their assessment to management prior to August 1, 1998. Subsequent to their review, management will provide direction to the company's information technology suppliers as to the desired solution to any year 2000 compliance issues, with the intent of having all required solutions implemented not later than January 1, 1999.

Management's Responsibility for Financial Statements

The accompanying financial statements and information in the Annual Report are the responsibility of management. The financial statements have been prepared by management in accordance with the accounting policies outlined in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not completed at the date of the balance sheet. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principals.

The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with the financial statements. Management maintains systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records are properly maintained, to provide reliable information for the preparation of the financial statements.

Barr Shelley Stuart, Chartered Accountants, appointed by the shareholders, have examined the financial statements, and have provided an independent professional opinion. Their audit was conducted in accordance with generally accepted audit standards in Canada. The audit committee has reviewed these statements with management and the auditors, and has reported to the board of directors. The board has approved the financial statements.



Donald L. Dabbs


Vice President, CFO, & Corporate Secretary

Auditors' Report to Shareholders

We have audited the consolidated balance sheets of Birch Mountain Resources Ltd. as at December 31, 1997 and 1996, and the consolidated statements of loss and deficit and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996, and the results of its operations and changes in its financial position for the years then ended, in accordance with generally accepted accounting principles.



Barr Shelley Stuart

Chartered Accountants

*Calgary, Alberta
April 30, 1998*

Consolidated Balance Sheets

At December 31

	1997	1996
Assets		
Current		
Cash and term deposits (note 4)	\$ 719,316	\$ 4,833,736
Accounts receivable	185,435	274,739
Prepays and deposits	349,218	142,376
	1,253,969	5,250,851
Investment (note 5)	130,000	648,514
Capital (note 6)	215,423	168,755
Mineral exploration costs (note 7)	7,269,931	6,333,545
	\$8,869,323	\$12,401,665
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 515,950	\$ 286,357
Shareholders' Equity		
Share capital (note 8)	15,720,950	14,943,406
Deficit	(7,367,577)	(2,828,098)
	8,353,373	12,115,308
	\$8,869,323	\$12,401,665

Approved on behalf of the Board of Directors



Director



Director

Consolidated Statements of Loss & Deficit

Years ended December 31

	1997	1996
Expenses:		
Shareholder services and promotion	\$ 266,619	\$ 390,497
Salaries, management fees, and benefits	461,160	379,990
Office	233,619	196,642
Legal and audit	121,957	78,863
Amortization	60,789	56,409
Loss before the following	(1,144,144)	(1,102,401)
Interest and other income	130,835	225,993
Research costs	—	(177,642)
Write-down of investment	(529,267)	—
Write-down of mineral exploration costs (note 7)	(2,996,903)	(886,613)
	(3,395,335)	(838,262)
Net loss for the year	(4,539,479)	(1,940,663)
Deficit at beginning of year	(2,828,098)	(887,435)
Deficit at end of year	\$(7,367,577)	\$(2,828,098)
Loss per share (note 9)	\$(0.21)	\$(0.10)

Consolidated Statements of Cash Flow

Years ended December 31

	1997	1996
Cash provided by (used in):		
Operating activities:		
Net loss for the year	\$(4,539,479)	\$(1,940,663)
Add items not involving a current cash outlay:		
Amortization	60,789	56,409
Write-down of mineral exploration costs	2,996,903	886,613
Write-down of investment	529,267	—
	(952,520)	(997,641)
Changes in working capital balances related to operating activities	112,055	(87,546)
	(840,465)	(1,085,187)
Financing activities:		
Issuance of common shares for cash	778,818	9,966,157
Issuance of common shares for mineral permits	—	1,085,000
Share issuance costs	(1,274)	(698,691)
	777,544	10,352,466
Investing activities:		
Increase in investments	(10,753)	(648,514)
Purchase of capital assets	(107,457)	(137,698)
Mineral exploration expenditures	(3,933,289)	(5,176,663)
	(4,051,499)	(5,962,875)
(Decrease) increase in cash	(4,114,420)	3,304,404
Cash at beginning of year	4,833,736	1,529,332
Cash at end of year	\$ 719,316	\$ 4,833,736

Notes to the Consolidated Financial Statements

Years ended December 31, 1997 and 1996

1. Nature of operations and going concern considerations

Birch Mountain Resources Ltd. is in the process of exploring its mineral properties, and has not yet determined whether the properties contain economically recoverable reserves. The Company's ability to continue as a going concern is largely dependent on its success in obtaining sufficient funds to carry out exploration activities on its mining claims, establishing the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete development and achieve future profitable production. It is not possible to predict whether financing efforts will be successful, or if the Company will attain profitable levels of operation.

2. Basis of consolidation

These financial statements include the operations of the Company and its wholly owned subsidiaries, Dawson Bay Minerals Inc., Swift River Minerals Ltd., and Rockyview Development Limited and its subsidiaries.

3. Significant accounting policies

a) Mineral exploration costs

Mineral properties are recorded at cost. Cost includes cash consideration and the market value of shares issued, if any. All direct and indirect acquisition and exploration expenditures are capitalized, and deferred until the properties to which they relate are placed into production, sold, allowed to lapse, or abandoned. These costs will be amortized over the estimated useful lives of the properties following the commencement of production, or written off if the properties are subsequently sold, allowed to lapse, or abandoned.

The Company assesses the carrying value of these deferred expenditures annually, and, based on estimates, adjusts the carrying amount accordingly for any impairment in value. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates in future periods could be significant.

Properties acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

b) Capital assets

Capital assets are recorded at cost. Amortization is recorded at the following annual rates:

Computer software	100% declining balance
Computer hardware	30% declining balance
Automotive	30% declining balance
Equipment	20%–30% declining balance
Leasehold improvements	20% straight line

Amortization is charged at one half of the annual rate in the year of acquisition of an asset.

c) Deferred income taxes

The Company follows the tax allocation basis in accounting for income taxes. Income tax legislation permits the flowthrough to shareholders of income tax deductions relating to certain qualified mining expenditures. This gives rise to deferred taxes which are deducted from the carrying cost of the mineral exploration costs and the proceeds of capital stock when the expenditures are renounced.

d) Research and development

During 1996, the Company engaged in researching new technology applications. Costs associated with such projects are expensed in the period in which they are incurred.

4. Cash and term deposits

	1997	1996
Cash, available for use	\$260,213	\$4,822,736
Cash, subject to restriction	459,103	11,000
	\$719,316	\$4,833,736

Cash subject to restriction is amounts on deposit as security on letters of credit to the government of Manitoba and the government of Indonesia.

5. Investment

The cost of the Company's investment in 500,000 shares of Tintina Mines Limited has been written down to reflect its market value at December 31, 1997.

6. Capital assets

	1997		1996	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	\$154,518	\$ 53,105	\$101,413	\$ 96,953
Computer	168,080	71,787	96,293	46,673
Automotive	34,090	17,386	16,704	23,863
Leasehold improvements	1,583	570	1,013	1,266
	\$358,271	\$142,848	\$215,423	\$168,755

7. Mineral exploration costs

	Balance, 31 Dec 1996	Additions During Year	Write-down During Year	Balance, 31 Dec 1997
Alberta	\$4,971,346	\$1,335,061	\$ 186,893	\$6,119,514
British Columbia	374,585	34,328	408,913	—
Yukon	250,242	1,077,949	—	1,328,191
Manitoba	—	288,905	216,679	72,226
Indonesia	1,487,372	1,197,046	2,184,418	500,000
Deferred tax effect of flow-through share renouncement	(750,000)	—	—	(750,000)
	\$6,333,545	\$3,933,289	\$2,996,903	\$7,269,931

Included in mineral exploration costs are properties having a book value of approximately \$1,950,000, which have no cost base for tax purposes.

a) Alberta

The Company holds significant mining interests in the Athabasca region of northern Alberta. Through its investment in Tintina Mines Limited, the Company can earn a 51% interest in additional lands in the region with a payment of \$1,200,000 on or before September 18, 1998.

During the year, the Company entered into a co-development agreement with Syncrude Canada Ltd. The agreement provides for a cooperative development of the Aurora Project lands by bringing together the holder of the oil sands rights and the holder of the metallic and industrial mineral rights.

Subsequent to the year-end, the Company and Lytton Minerals Limited (*Lytton*) entered into agreements involving certain exploration data and diamond rights of lands in the Athabasca region. One agreement involved the payment of \$390,000 to the Company, for exploration data and the right to earn the option to acquire certain diamond rights. This amount was reviewed subsequent to the year-end. Another agreement involved an option to acquire an interest in additional diamond rights. Under the terms of this agreement, Lytton is to pay the Company \$508,000, comprised of \$327,000 and 217,000 shares of Lytton. The interest earned by Lytton is dependent upon the exploration expenditures made by Lytton, ranging from 30% at \$1,890,000 of expenditures over 2 years to 60% at \$4,890,000 of expenditures over 4 years.

The Company has filed an assessment report with the authorities which management believes, when approved, will satisfy the Company's exploration commitment to date. The next filing of assessment is due February 2000.

- b) British Columbia
The balance of the British Columbia mineral exploration costs have been written off, as the Company is no longer active in this area.

- c) The Yukon
The Company has an option to purchase a 100% interest in the Swift River property in the Yukon. To exercise the option, the Company is required to make cash payments to the optionee as follows:

December 31, 1998	\$100,000
December 31, 1999	\$300,000
December 31, 2000	\$500,000

- d) Manitoba
Exploration activity in Manitoba is in the Dawson Bay area of west central Manitoba. Based on the results of an exploration program during the year, the Company has significantly reduced its original land holdings, to include only the areas of greatest interest.

- e) Indonesia
Through its subsidiaries, the Company is paying 100% of the costs to earn a 90% interest in an exploration program being conducted in the province of West Kalimantan, in the Republic of Indonesia.

Capitalized mineral exploration costs include the acquisition and exploration costs and expenses associated with a Seriousness bond, work application fees, and costs related to the granting of a Contract of Work. During the year, a Contract of Work was approved by the government of Indonesia. Following the approval of the Contract of Work, the Company was to pay US \$100,000 and issue 250,000 common shares to third parties involved in the application process. These financial statements reflect US \$50,000 paid during the year, and include an amount of \$194,000 in accounts payable as recognition of the remaining liability. However, the Company is attempting to negotiate a more favourable settlement of this commitment.

The Contract of Work also called for a refundable deposit of US \$127,900 and a bank guarantee, expiring May 26, 1998, of US \$298,400, both of which have been provided by the Company during the year.

An additional US \$100,000 refundable deposit provided to the government of Indonesia in 1996, prior to the granting of the Contract of Work, was refunded subsequent to the year-end.

8. Capital stock

The Company is incorporated under the jurisdiction of the Alberta Business Corporations Act.

- a) Authorized capital
- Unlimited number of common voting shares
 - Unlimited number of preferred shares, issuable in series
 - Unlimited number of non-voting shares
- b) Issued

Common Shares	Number	Amount
Balance December 31, 1995	17,359,086	\$ 4,590,940
Issued for cash:		
Series B warrants exercised	168,209	126,157
Stock options exercised	180,000	18,000
Private placement special warrants	1,676,000	9,822,000
Issued for mineral permits	200,000	1,085,000
	19,583,295	15,642,097
Share issuance costs	—	(698,691)
Balance December 31, 1996	19,583,295	\$14,943,406
Issued for cash:		
Series A warrants exercised	2,523,127	756,938
Stock options exercised	62,000	21,880
	22,168,422	15,722,224
Share issuance costs	—	(1,274)
Balance December 31, 1997	22,168,422	\$15,720,950

Subsequent to the year-end, the Company issued 204,074 units at \$0.70, for a total of \$142,851. Each unit comprises one common share and one common share warrant which expired on April 20, 1998 without being exercised.

- c) Preferred shares
- An unlimited number of preferred shares may be issued in one or more series, and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, and conditions attached to the shares of each series.
- d) Reserved for issue
- The Company has a stock option plan under which the board of directors can grant options to purchase common shares to senior employees, consultants, and directors.

The Company has granted options on 2,013,000 common shares as follows:

To	Date	Price per Share	Number of Shares	Expiration Date
Officers and directors	November 1994	\$0.10	40,000	November 1999
Officers and directors	July 1995	0.76	150,000	July 2000
Employees and consultants	July 1995	0.59	143,000	July 2000
Directors	July 1995	0.38	400,000	July 2000
Officers and directors	September 1995	1.06	600,000	September 2000
Directors and consultant	January 1996	ⁱ 2.66	300,000	January 2001
Employees	November 1996	ⁱ 2.75	150,000	November 2001
Employee	January 1997	ⁱ 2.40	75,000	January 2002
Directors	March 1997	ⁱ 2.20	125,000	March 2002
Consultant	June 1997	ⁱ 1.55	30,000	June 2002

- i) Subsequent to year-end, all options issued in 1996 and 1997 were re-priced at \$0.70 per share.

At December 31, 1996, the Company had the following outstanding warrants:

Series	Date	Price per Share	Number of Warrants	Expiration Date
Series A	July 4, 1995	2 warrants + \$0.30	5,046,255	January 310, 1997
Special	July 12, 1996	1 warrant + \$6.60	1,676,000	April 11, 1997

During the year, all of the outstanding Series A warrants were exercised. The special warrants expired unexercised.

e) Escrowed shares

Under the requirements of the Alberta Securities Commission and the Alberta Stock Exchange, 12,483,040 common shares issued in connection with the Company’s initial listing as a Junior Capital Pool Corporation, its major transaction, and its initial public offering were held in escrow. Two years have passed since the completion of the Company’s major transaction. Accordingly, two thirds of these shares have been released, leaving 4,161,015 of these common shares in escrow at December 31, 1997.

In addition, under the terms of a voluntary pooling agreement, an additional 8,528,366 common shares were also placed in escrow, and are to be released equally over five years. At December 31, 1997, 5,228,218 common shares were still held in escrow under the terms of this agreement.

9. Loss per common share

The net loss per common share was calculated using the weighted average number of common shares outstanding of 21,935,000 shares (1996—18,492,000 shares). The effect of the stock options on the loss per share is anti-dilutive.

10. Continuing obligations

The Company rents premises under leases requiring annual rental payments over the next five years as follows:

1998	\$181,793
1999	\$181,793
2000	\$181,793
2001	\$158,506
2002	\$153,850

11. Related party transactions

During the year, the Company had the following transactions with related parties:

- included in deferred costs are amounts paid for aircraft usage and airborne surveying services of \$27,606 (1996—\$154,500) to a company controlled by a director
- included in salaries, management fees, and benefits are the following amounts:
 - management fees aggregating \$nil (1996—\$18,000) to a director and to a company controlled by a director
 - consulting fees aggregating \$nil (1996—\$55,272) to a company controlled by a director
 - management fees aggregating \$102,022 (1996—\$nil) to companies related to a director
- included in shareholder services and promotion are amounts paid for services related to corporate communication consulting of \$38,316 (1996—\$61,100) to a company controlled by the spouse of a director

12. Income taxes

At December 31, 1997, the Company had approximately \$8 million (1996—\$4.5 million) of tax deductions available to be applied against future years' income for income tax purposes. These deductions consist of Canadian mining exploration costs and undepreciated capital cost allowance, all of which are available for carryforward indefinitely.

The Company also has non-capital losses of \$1,694,000 (1996—\$869,000) available to be carried forward and applied against future income for income tax purposes, as follows:

To 2001	\$ 176,000
2002	387,000
2003	306,000
2004	825,000
	<hr/>
	\$1,694,000

The Company has non-refundable investment tax credits available in the amount of \$31,000 (1996—\$31,000), to be carried forward against future income taxes payable to 2005.

The Company also has research and development costs available in the amount of \$267,000 (1996—\$267,000), to be carried forward against future income for income tax purposes, indefinitely.

The potential benefits relating to all of the above items have not been recorded in the financial statements.

13. Segmented information

The Company's principal business segment is the acquisition, exploration, and development of mineral properties. All of the Company's properties are in the exploration stage. The Company's current activities are focused in western Canada and Indonesia, as detailed in Note 7.

Directors, Staff, and Consultants

Directors

Douglas J. Rowe, PEng.
President and CEO
Calgary, Alberta

Co-founder of Birch Mountain Resources, Doug has been President and Chairman of the Board, Brougham Geoquest Ltd., since 1984, and has developed innovative exploration technology for oil, gas, and minerals. Doug is a member of the compensation committee.

Donald L. Dabbs, M.Sc., P.Ag.
VP, CFO, & Corporate Secretary
Calgary, Alberta

President and CEO of Enviro FX Inc., and co-founder of Birch Mountain Resources, Don has more than 25 years of consulting experience in environmental management and regulatory applications to provincial and federal governments. He has also consulted to major resource developments in western and northern Canada, including those in the Athabasca oil sands. Don is a member of the audit committee.

Russell S. Edwards, C.A.
President, Edwards Oil Co.
Calgary, Alberta

Co-founder of Birch Mountain Resources, Russ served as President and CEO of Aaron Oil Corporation, an oil and gas exploration company, from 1987 to 1993. He is Chairman of the audit committee, and a member of the compensation committee.

R. Edward Flood, M.Sc.
President, Indochina Goldfields Ltd.
Reno, Nevada

Ed has more than 25 years of mining industry experience. As Manager of Project Evaluation for NERCO Minerals, he has assessed operating mines and mining properties in more than 30 countries. With Robertson Stephens & Company, Ed was a research analyst covering the gold industry, and he co-managed the Contrarian Fund.

Richard H.T. Garnett, Ph.D.
Independent Mining Consultant
Calgary, Alberta

Co-founder of Birch Mountain Resources, Richard has more than 35 years of experience in mineral exploration and mining. He has held senior management positions with Anglo American group of companies, Hudson's Bay Mining and Smelting, Rio Tinto Zinc, and several other large mining companies, and has served on the board of directors of Diamond Field Resources.

Myron A. Goldstein, Ph.D.
COO, Diamond Works Ltd.
Denver, Colorado

With more than 35 years of acquisition, exploration, and development experience in precious and base metals, Myron has held many positions in several international mining companies, including Coeur D'Alene Mines and Lac Minerals. He has world-wide mining experience in North and South America, Africa, and Asia.

Lanny K. McDonald
Hockey Hall of Fame
VP, Corporate Development
Calgary Flames Hockey Club
Calgary, Alberta

In 1990, after more than 16 years of National Hockey League play, Lanny joined the Calgary Flames as Vice President. Lanny is chairman of the compensation committee.

Kerry E. Sully, PEng.
Independent Business Developer
Calgary, Alberta

Former President, CEO, and Director of Ranchmen's Resources Ltd., Kerry has more than 25 years of oil and gas experience. He was also Vice President of Corporate Development for Total Energold, a gold mining company in British Columbia. Kerry is a member of both the audit and compensation committees.

Gordon L. Toll, M.Sc., B.Eng.
COO, Indochina Goldfields Ltd.
Singapore

Gordon has more than 25 years of experience in mining engineering and operations. He has held senior management positions with BHP Iron Ore, Texasgulf Inc., Anaconda Mineral-ARCO Coal, RTZ Limited, and US Borax.

Advisor to the Board

Robert M. Friedland, B.A. Mr. Friedland is the founder of Ivanhoe Capital Corporation, and creator and financier of numerous public and private companies. He has been engaged in the acquisition, exploration, and development of precious and strategic metals properties throughout the world since 1979.

Staff

Hugh J. Abercrombie, Ph.D. Before joining Birch Mountain in 1997, Hugh worked with the Geological Survey of Canada, where he studied fluid migration and the deposition of gold and precious metals in sedimentary basins. Hugh has 20 years of experience in geology, geochemistry, and mineral exploration, is President of the Calgary Mineral Exploration Group, and is an Adjunct Professor at the University of Calgary.

Kyla Arden, M.Sc. Kyla joined Birch Mountain as a geologist in 1997. She graduated from the University of Manitoba in 1995 with a Masters degree in Geochemistry. She has considerable experience in geological mapping projects and in laboratory analysis. Kyla is a member of the Calgary Mineral Exploration Group.

William R. Hemstock, B.Sc. Bill has 15 years of mineral exploration experience in managing airborne, waterborne, and ground-based geophysical projects. In addition, he spent five years in project management of forest inventory, and preparation of environmental impact statements.

Brett G. Johnson, B.Sc. Brett joined Birch Mountain after graduating from the University of North Dakota with a degree in Environmental Geology in 1996. He has been part of the Swift River, Tas, and Eagle projects. Brett is a member of the Calgary Mineral Exploration Group.

L. Robert Lipsett, B.S. Bob has more than 25 years of experience in project management for resource industries in Canada and in numerous countries throughout the world. Prior to joining Birch Mountain in 1995, Bob was the General Manager for an oil well servicing and joint-venture oil company in Russia. He is a member of the Society of Metallurgical Engineers, the Society of Petroleum Engineers, and APEGGA.

Jane E. Quinn Jane has been with Birch Mountain since its inception as a private company in 1994. Her background of business experience includes computer operations, office management, and administration management for a number of oil and gas, mapping, and land companies. Jane is a member of the Prospectors and Developers Association of Canada, and the Canadian Institute of Investor Relations.

Technical Advisors and Consultants

Doug Halbe, P.E. Doug is an international consultant in gold ore processing. He is an Adjunct Professor at the University of Utah, a fellow of the Australian Institute of Mining and Metallurgy, a member of the American Institute of Mining Engineers, and the Mining and Metallurgical Society of America.

Jon Thorson, Ph.D. Jon has more than 30 years of exploration experience in minerals and oil and gas, and specializes in sedimentary basin analysis. He is a member of the Society of Economic Geology, the Geologic Society of America, and the Northwest Mining Association.

Glen De Paoli, M.Sc. P.Geol. Glen received a Masters degree in geology from the University of Calgary in 1994. He has been a consultant for 10 years, providing his expertise in ore deposits and micro-analytical techniques to mineral exploration companies in British Columbia and Alberta, and to the Geological Survey of Canada. Glen is a member of the Calgary Mineral Exploration Group, and APEGGA.

Glossary

Alteration The process of changing the chemical or mineral composition of a rock during formation of a mineral deposit.

Anomaly A value, or location of a value, that is unusual compared to other values in the same data set.

Archean The first eon of Precambrian time, before 2.5 billion years ago.

Argillite A fine-grained metamorphic rock of sedimentary origin.

Base metal Readily oxidizable metals of relatively lower value, such as copper, zinc, and lead, which typically occur as sulphides or oxides in mineral deposits.

Basement The crystalline metamorphic and/or igneous rocks which underlie a sequence of unmetamorphosed sedimentary rocks.

Buffalo Head Craton A distinct part of the Precambrian basement of northeastern Alberta, comprising metamorphic and igneous rocks of Archean and Early Proterozoic age.

Carlin An important gold mining district in Nevada, known for rich occurrences of extremely finely disseminated gold in altered sedimentary rocks.

Chalcopyrite A copper-iron sulphide mineral (CuFeS_2).

Cretaceous A geological time period from 135 to 66 million years ago.

Contact metamorphism High-temperature metamorphism caused by igneous intrusions.

Diamond indicator mineral A mineral which is known to form under the same conditions as diamonds, but which is more abundant and easier to detect than diamonds.

Disseminated A mineral that is finely dispersed throughout the enclosing rock.

Electric logs A graphical or digital display or record of geophysical measurements taken down a drill hole.

Epithermal A low-temperature fluid-rock system distant from an igneous intrusive heat source.

Fault A surface along which one body of rock has moved, relative to another.

Fire assay A high-temperature process involving the melting of a rock to determine its precious metal content.

Igneous A crystalline rock that originated by cooling from a melt.

Intrusive An igneous rock that cooled and solidified at depth.

Kimberlite An igneous intrusive rock originating at great depth, and which may contain diamonds.

Lineament A linear topographic feature.

Magnetite A magnetic iron oxide mineral (Fe_3O_4).

Massive sulphide A rock which is composed predominantly of sulphide minerals.

Metamorphic rock A crystalline rock that originated by high temperature and/or pressure processes associated with deep burial or igneous intrusions.

Micro-diorite, micro-granite Finely crystalline igneous intrusive rocks.

Mineralized A body of rock within which minerals have formed.

Peace River Arch A large-scale geological feature trending southwest to northeast across north-central Alberta. It has a complex history, having been both an arch and a depression through time.

Porphyry An igneous intrusive rock containing coarsely crystalline minerals set in a finely crystalline ground mass.

Prairie Gold model A model explaining the origin of low-temperature, sediment-hosted, precious metal deposits. In this model, the precious metals are carried in brines of sedimentary origin, and are deposited where oxidation-reduction reactions cause the metals to be precipitated.

Precious metal A group of unoxidizable metals of relatively high value; includes gold, silver, platinum, and palladium.

Proterozoic The second and last eon of Precambrian time, from 2.5 billion to 570 million years ago.

Pyrrhotite An iron sulphide mineral (Fe_7S_8).

Rhyolite A volcanic rock that is rich in silica.

Schist A medium to coarsely crystalline metamorphic rock with dominant planar alignment of constituent minerals.

Sedimentary rock Rocks formed from material derived from the erosion of pre-existing rocks.

Sericite A finely crystalline mica commonly found in rocks altered by high temperature processes associated with the formation of mineral deposits.

Sill A sub-horizontal sheet-like body of igneous intrusive rock.

Siltstone A sedimentary rock similar to, but of finer grain size than, sandstone.

Sintang A town in West Kalimantan, Republic of Indonesia, whose name has been attached to a group of igneous intrusive rocks.

Sphalerite A zinc sulphide mineral (ZnS).

Stock An intrusive igneous body with a circular to elliptical cross-section.

Stratigraphy The description of sedimentary rocks of different ages and types, and their correlations from place to place.

Structure The overall geometry of a rock mass, mainly pertaining to its deformation by faulting, fracturing, or folding.

Sulphide A metallic mineral composed of one or more metallic elements and sulphur in its most reduced form (e.g., pyrite, FeS_2).

Terrane A regionally extensive belt of rocks with a common geological history, that is juxtaposed by faulting against regions with different geological histories.

Tertiary One of the latest geological periods, from 66 to 1.2 million years ago.

Volcanic rock An igneous rock that erupts and cools on the earth's surface.

Volcanogenic massive sulphide (VMS) A mineral deposit type composed of massive sulphides which form where hot, metal-laden fluids circulating through a sequence of cooling volcanic rocks discharge, either as submarine *black smokers* or in surface geothermal systems.

Corporate Data

Common Share Highlights ⁱ	Dec. 31, 1997	Mar. 31, 1998
Common shares issued and outstanding	22,168,422	22,412,496
Outstanding stock options to management and directors	2,013,000	2,045,000
Common shares via outstanding warrants	—	204,074
Fully diluted common shares	24,181,422	24,661,570
Escrowed common stock	9,389,237	9,389,237
Market float (estimate)	12,779,185	12,779,185

i) For more information on common shares, escrowed shares and stock options, please refer to note 8 in the Notes to the Financial Statements.

Head Office

3100, 205 Fifth Avenue S.W.
Calgary, Alberta, Canada T2P 2V7
Tel: 403.262.1838
Fax: 403.263.9888

Contacts

Douglas Rowe, President & CEO
or Jane Quinn, Shareholder Services
e-mail: jquinn@birchmountain.com
<http://www.birchmountain.com>

Registrar and Transfer Agent

Montreal Trust Company

Bankers

Alberta Treasury Branches
Hong Kong Bank of Canada

Auditors

Barr Shelley Stuart

Solicitors

Ogilvie and Company
MacKimmie Matthews
Koffman Kalef

Capitalization & Share Distribution

December 31, 1997	
Symbol	BMD
Exchange	Alberta
Shares outstanding	22,168,422
Fully diluted shares	24,181,422
52-week High	\$2.70
52-week Low	\$0.31
Market capitalization	\$8.9 million

Conversions

To Convert:	Multiply by:
Acres to hectares	0.405
Hectares to acres	2.47
A ton to a tonne	0.907
A tonne to a ton	1.1
Troy ounces to grams	31.1
Grams to troy ounces	0.032
Metres to feet	3.28
Kilometres to mile	0.62

Annual General Meeting

2:30 pm, June 26, 1998
Angus/Northcote Room
Conference Centre, Plus 30 Level
Bow Valley Square II
205 Fifth Avenue S.W.
Calgary, Alberta, Canada

Shareholders unable to attend the Annual General Meeting are encouraged to complete and return a valid *FORM of PROXY*, which is mailed to all shareholders of record before the meeting.



BIRCH MOUNTAIN RESOURCES LTD.

3100, 205 FIFTH AVENUE S.W.

CALGARY, ALBERTA CANADA T2P 2V7

TEL 404 262 1838 FAX 403 263 9888